

AMENDED IN SENATE APRIL 28, 2010

AMENDED IN SENATE APRIL 13, 2010

SENATE BILL

No. 1240

Introduced by Senator Corbett

February 19, 2010

An act to add Section 32121.6 to the Health and Safety Code, relating to local health care districts.

LEGISLATIVE COUNSEL'S DIGEST

SB 1240, as amended, Corbett. Local health care districts: operation of facility by another entity.

Existing law, the Local Health Care District Law, provides for the formation of local health care districts and, until January 1, 2011, authorizes each local district to transfer, at fair market value, any part of its assets to one or more corporations to operate and maintain the assets. After January 1, 2011, existing law changes that provision to restrict these transfers only to nonprofit corporations.

This bill would, notwithstanding any provision of law, require, *with certain exceptions*, a contract for operation of a district facility by another entity to (1) preclude assets, including, but not limited to, all revenue generated by the district facility, from being used for the benefit of any person or entity other than a hospital within the jurisdiction of the district, (2) require the hospital and the operating entity to annually undergo an independent ~~fiscal~~ *financial* audit and that the resulting report be made public, and (3) preclude, in the case of a subsequent sale of the facility or any assets of the district to the operating entity, any losses incurred by the entity in the operation of the facility from being used as a credit against the purchase price of the facility or other

district assets. By requiring that districts comply with these requirements, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 32121.6 is added to the Health and Safety
2 Code, to read:

3 32121.6. (a) Notwithstanding any provision of law, when a
4 district contracts with another public or private entity to operate
5 one or more of its health facilities, the contract shall comply with
6 all of the following requirements:

7 (1) No assets of the district, including, but not limited to, all
8 revenue generated by the district facility or facilities being operated
9 by the other entity shall be used for the benefit of any person or
10 entity other than a hospital within the jurisdiction of the district.

11 (2) The hospital and the operating entity shall annually undergo
12 an independent ~~fiscal~~ *financial* audit and the resulting report shall
13 be made public by the district.

14 (3) (A) In the case of a subsequent sale of the hospital facility
15 or any other assets of the district to the operating entity, any losses
16 incurred by the entity in the operation of the facility shall not be
17 used as a credit against the purchase price of the facility or other
18 district assets.

19 (B) *This paragraph does not apply to a sale of a hospital facility*
20 *that is otherwise in compliance with paragraph (1) of subdivision*
21 *(p) of Section 32121.*

22 (b) Subdivision (a) shall apply to all existing and future
23 contracts, unless there has been full performance by both parties
24 prior to January 1, 2011. For purposes of this section, “full
25 performance” means the complete execution by all parties of all
26 terms and conditions of a contract.

1 (c) Subdivisions (a) and (b) do not apply to a contract by a local
2 health care district that meets all of the following criteria:

3 (1) The contract is between the district and a tax-exempt
4 nonprofit corporation, qualified under Section 501(c)(3) of the
5 Internal Revenue Code.

6 (2) The nonprofit corporation operates one or more general
7 acute care hospitals, as defined in subdivision (a) of Section 1250,
8 that are the subject of the contract.

9 (3) The general acute care hospital or hospitals that are
10 operated by the nonprofit corporation are owned by the district.

11 (4) The district is the nonprofit corporation's sole corporate
12 member.

13 SEC. 2. If the Commission on State Mandates determines that
14 this act contains costs mandated by the state, reimbursement to
15 local agencies and school districts for those costs shall be made
16 pursuant to Part 7 (commencing with Section 17500) of Division
17 4 of Title 2 of the Government Code.